

## Message Text

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PAGE 01      PORT M 01355 160212Z  
ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 AGRE-00 CIAE-00 PM-04 H-01 INR-07  
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06  
AID-05 COME-00 EB-07 FRB-03 XMB-02 OPIC-03 CIEP-01  
LAB-04 SIL-01 OMB-01 STR-04 CEA-01 NEA-10 IO-13 /108 W  
----- 020425 /11

R 152205Z DEC 76  
FM AMEMBASSY PORT MORESBY  
TO AMEMBASSY MANILA  
INFO SECSTATE WASHDC 1959

LIMITED OFFICIAL USE PORT MORESBY 1355

EO 11652: N/A  
TAGS: EAID EFIN PP BP  
SUBJ: PROPOSED ADB LOAN FOR BEEF CATTLE PROJECT IN SOLOMON  
ISLANDS

REF: MANILA 19128

1. EMBASSY HAS NOT YET RECEIVED ADB DOC R125-76 AND COMMENTS  
BELOW ARE BASED ON INFORMATION IN REFTEL.

2. EMBASSY SHARES CONCERN OF USADB THAT THE DEMAND SIDE OF  
PROJECT MAY NOT HAVE RECEIVED PROPER CONSIDERATION.

3. EMBASSY'S ECONOFF RECENTLY VISITED HONIARA, GUADACANAL,  
AND AUKI, MALAITA, AND HAD CASUAL BRIEFINGS ON CATTLE  
INDUSTRY. AUKI, SECOND LARGEST TOWN IN SOLOMONS, ALREADY HAS  
CATTLE HERD REPORTEDLY CAPABLE OF SUPPLYING LOCAL NEEDS, BUT  
HAS DIFFICULTY TRANSPORTING ADDITIONAL PRODUCTION TO OTHER  
AREAS. TRANSPORT OF LIVE BEEF TO HONIARA IS VERY EXPENSIVE  
AND REPORTEDLY NOT VERY PROFITABLE. TRANSPORT OF SLAUGHTERED  
BEEF IS IMPOSSIBLE DUE TO LACK OF INTER-ISLAND SHIPPING WITH  
FREEZER CAPABILITY. TRANSPORT OF BEEF TO OTHER AREAS OF  
ISLAND (MALAITA HAS THIRTY PERCENT OF SOLOMONS'  
POPULATION) IS DIFFICULT DUE TO LACK OF ROADS. THIS  
PROBLEM IS LIKELY TO BE MORE SEVERE IN OTHER ISLANDS.  
EVEN IF ADEQUATE TRANSPORT IS ESTABLISHED BETWEEN THE  
HERDS, THE NINE DISTRICT HOLDING GROUNDS, AND THE CENTRAL  
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PROJECT PROCESSING FACILITY, THERE IS STILL THE PROBLEM

OF RETAIL DISTRIBUTION OF FRESH MEAT OUTSIDE OF HONIARA.

4. DISTRIBUTION OF CANNED OR FROZEN MEAT WOULD BE EASIER AND WE BELIEVE CANNING OR FREEZING SHOULD BE CAREFULLY CONSIDERED BEFORE PROJECT IS APPROVED. IN ANY EVENT, SUBSTANTIAL INCREASE OF CONSUMPTION WHICH THIS PROJECT ASSUMED WOULD PRESUMABLY DEPEND ON A LOWER PRICE.

5. CREATING MANY SMALL BEEF AREAS CATERING TO LOCAL MARKETS WOULD EASE THE TRANSPORT PROBLEM, BUT WOULD STILL LEAVE PROBLEMS OF POOR OR NONEXISTENT LOCAL ROAD SYSTEM. ESTABLISHMENT OF BEEF HERDS FOR LOCAL PRODUCTION WOULD ALSO REQUIRE A LARGE NUMBER OF BUTCHERS. ONLY RECENTLY HAS A BUTCHER SHOP BEEN ESTABLISHED IN AUKI AND THIS IS PROBABLY ONLY BUTCHER SHOP OUTSIDE HONIARA. ONE BUTCHERY EXTENSION AGENT CAN TRAIN ONLY LIMITED NUMBER OF BUTCHERS.

6. THE POSSIBILITY OF EXPORT MARKETING MUST ALSO BE QUESTIONED. WHAT SIGNIFICANCE HAS ANY "MINISTERIAL ASSURANCE" FOR AN EXPORT MARKET SEVEN OR EIGHT YEARS IN THE FUTURE? PNG IS ALSO TRYING TO ESTABLISH ITS OWN CATTLE INDUSTRY.

7. FINALLY, EMBASSY QUESTIONS DESIRABILITY OF GOING AHEAD ON PROJECT DUE TO ITS PROVISION OF "SOCIAL BENEFITS, PARTICULARLY THE EXPANSION OF SMALLHOLDER CATTLE OWNERSHIP." IF PROJECT FAILS TO DEVELOP AN ADEQUATE MARKET, SMALLHOLDERS COULD BE HURT INSTEAD OF HELPED.

8. EMBASSY WOULD LIKE TO SEE SOLOMONS GRANTED ADB LOANS. EMBASSY ALSO REALIZES THAT ANSWERS TO MANY OF ITS QUESTION MAY BE IN SUPPORTING DOCUMENTS THAT HAVE NOT YET ARRIVED. ON THE BASIS OF CURRENTLY AVAILABLE INFORMATION, HOWEVER, THE EMBASSY RECOMMENDS THAT FINAL APPROVAL OF PROJECT BE DEFERRED UNTIL OBJECTIONS GIVEN ABOVE ARE SATISFACTORILY ANSWERED.UOLMSTED

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## Message Attributes

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**To:** TRSY MANILA  
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